

telephone service and to require certificates of convenience and necessity, the borrower must obtain such a certificate before RUS will make a loan. Facilities or services not specifically covered by such certificate will be subject to the provisions of § 1735.12(b).

(b) In states where there is no such regulatory body, a loan will not be made unless the Administrator determines that no duplication of lines, facilities, or systems already providing reasonably adequate services shall result from such a loan.

(c) RUS shall consider the following criteria in determining whether service is reasonably adequate:

(1) Availability of telephone service to commercial establishments, professional offices, essential community services, and residences in the community.

(2) Reasonable audibility and clarity of sound transmission and reception.

(3) Absence of frequent interruptions.

(4) Adequacy of line circuits and central office facilities to permit reasonably frequent subscriber use without unreasonable delay.

(5) Availability of connections with other exchanges and with the inter-exchange facilities of the Nation.

(6) Any other criteria the Administrator determines to be applicable to the particular case.

§ 1735.13 Location of facilities and service for nonrural subscribers.

(a) When it is determined by the Administrator to be necessary in order to furnish or improve telephone service in rural areas, loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location.

(b) To the greatest extent practical, loans are limited to providing telephone facilities that serve subscribers in rural areas. In order to furnish and improve service to rural subscribers it may at times be necessary to provide loan funds to finance telephone facilities which (1) will also serve nonrural subscribers, or (2) are located in nonrural areas. Loans may be approved to finance such facilities if the Administrator determines, on a case-by-case basis, that (i) the primary purpose of

the loan is to provide service to rural areas and (ii) the financing of facilities for nonrural subscribers is necessary and incidental to furnishing or improving telephone service in rural areas.

(c) Loan funds may be approved for facilities to serve nonrural subscribers only if (1) the principal purpose of the loan is to furnish and improve rural service and (2) the use of loan funds to serve nonrural subscribers is necessary and incidental to the principal purpose of the loan. The following are examples of purposes for which such loans may be made (such loans are not limited to these examples):

(1) In the case of construction of a new system, if the loan would not be economically feasible and self-liquidating unless the nonrural as well as the rural portions of the telephone service area are included in the proposed system, the loan may include funds for both portions.

(2) Where the acquisition of an existing system located in and serving a nonrural area is necessary to serve as the nucleus of an expanded system to furnish area coverage service in rural areas, the loan may include funds to finance the acquisition.

(3) When a system is being converted to modern service for rural subscribers, the loan may include funds for the conversion of the nonrural facilities, if the rural service will be improved as a result of such nonrural improvements and it is impractical to finance and serve the nonrural and rural areas separately.

(4) A loan may include funds to serve nonrural subscribers located in community centers frequently called by the rural subscribers if the construction to serve such nonrural subscribers will be incidental to, and contribute substantially to, the provision of adequate service for the rural subscribers.

(d) RUS may also approve financing for facilities to serve nonrural areas if, at the time financing was first approved by RUS:

(1) The nonrural area had a population of 1,500 or less when first financed by RUS and that financing was approved prior to November 1, 1993; or

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(2) The nonrural area had a population of 5,000 or less when first financed by RUS and that financing was approved on or after November 1, 1993.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, as amended at 58 FR 66253, Dec. 20, 1993]

§ 1735.14 Borrower eligibility.

(a) RUS makes loans to:

(1) Entities providing, or who may hereafter provide, telephone service in rural areas;

(2) Public bodies providing telephone service in rural areas as of October 28, 1949; and

(3) Cooperative, nonprofit, limited dividend or mutual associations.

(b) RUS does not make loans to individuals.

(c) RUS gives preference to those borrowers (including initial loan applicants) already providing telephone service in rural areas, and to cooperative, nonprofit, limited dividend, or mutual associations. To be eligible for a loan, a borrower must provide or propose to provide the basic local exchange telephone service needs of rural areas, and it must be incorporated.

[58 FR 66253, Dec. 20, 1993]

§ 1735.15 Civil rights.

Borrowers are required to comply with certain regulations on non-discrimination and equal employment opportunity. See RUS Bulletin 320-19 and RUS Bulletin 320-15, respectively.

§ 1735.16 Minimum loan amount.

Recognizing plant costs, the borrower's cost of system design, and RUS's administrative costs, RUS will not consider applications for loans of less than \$50,000.

§ 1735.17 Facilities financed.

(a) RUS makes hardship and guaranteed loans to finance the improvement, expansion, construction, acquisition, and operation of systems or facilities (including station apparatus owned by the borrower, headquarters facilities, and vehicles not used primarily in construction) to furnish and improve telephone service in rural areas, except as noted under paragraph (c) of this section.

(b) RUS makes concurrent RUS cost-of-money and RTB loans to finance the improvement, expansion, construction, and acquisition of systems or facilities (excluding station apparatus owned by the borrower, headquarters facilities, and vehicles not used primarily in construction) to furnish and improve telephone service in rural areas, except as noted under paragraph (c) of this section.

(c) RUS will not make any type of loan to finance the following items:

(1) Station apparatus (including PBX and key systems) not owned by the borrower and any associated inside wiring;

(2) Certain duplicative facilities, see § 1735.12;

(3) Facilities to serve subscribers outside the local exchange service area of the borrower unless those facilities are necessary to furnishing or improving telephone service within the borrower's service areas; and

(4) Facilities to provide service other than 1-party.

(d) If an unadvanced loan, or portion thereof, is rescinded, a new loan shall not be made for the same purposes as in the rescinded loan, except as provided in § 1735.47.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, and amended at 58 FR 66253, Dec. 20, 1993]

§ 1735.18 Additional equity.

If determined by the Administrator to be necessary for loan security, a borrower applying for an initial loan shall increase its net worth as a percentage of assets to the highest level recorded, not to exceed 40 percent, at the end of any calendar quarter in the period beginning 2 years prior to the receipt by RUS of the borrower's loan application form (RUS Form 490). This restoration to the higher level of net worth shall take place before RUS will determine the feasibility of the proposed loan.

§ 1735.19 Mergers and consolidations.

RUS does not make loans for the sole purpose of merging or consolidating telephone organizations. After a merger or consolidation, RUS will consider making loans to the telephone system to finance the improvement or extension of telephone service in rural areas.